

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 /018 W
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R 260628Z FEB 76
FM AMEMBASSY DAMASCUS
TO USDOC WASHDC
INFO SECSTATE WASHDC 6423

UNCLAS DAMASCUS 1045

USDOC FOR D.S. GILPATRIC, STATE FOR NEA/ARN: BULLEN

E.O. 11652: N/A

TAGS: BDIS, SY

SUBJ: GENERAL ENGINES CO., INC., VS MINISTRY OF COMMUNICATIONS

REF: USDOC 00351

1. EMBASSY COMMERCIAL OFFICER CALLED UPON MUNZER HUMEIDAN, MINISTRY OF COMMUNICATIONS (MOC) YESTERDAY, AS PER REFTEL. HUMEIDAN SYMPATHETIC TO GENERAL ENGINES PLIGHT, BUT DECLINED FOR THE PRESENT TO INITIATE ACTIONS REQUESTED IN PARA 4 REFTEL. HUMEIDAN EMPHASIZED THAT THE MOC CONTRACT WAS WITH MCELROY AND PENNSYLVANIA MINING AND THAT ANY FAILURE TO PAY GENERAL ENGINES WAS THE FAULT OF MCELROY, NOT MOC.

2. HUMEIDAN WENT ON AT LENGTH TO DESCRIBE MCELROY'S ALLEGED BAD FAITH AND BROKEN PROMISES IN DEALING WITH THE MOC; HE MADE IT VERY CLEAR THAT THE SARG HAS JUST ABOUT RUN OUT OF PATIENCE WITH MCELROY. HUMEIDAN LINKED EXTENSION OF L/C 1132/7532 TO THREE CONDITIONS WHICH MUST BE FULFILLED BY MCELROY: (A) POSTING OF PERFORMANCE BOND OF \$700,000, PER ORIGINAL CONTRACT AMENDED BY SIGNED ANNEX (COPY OF WHICH WE HAVE); (B) PAYMENT OF OUTSTANDING FREIGHT CHARGES, AS CONTRACT CALLED FOR C&F LATAKIA AND GOODS ARRIVED FOB, FOR WHICH MOC BLAMES MCELROY; AND (C) SATISFACTORY CONCLUSION OF ANOTHER, UNRELATED MCELROY-MOC DEAL IN WHICH LAVINO SHIPPING CO. (3 PENN CENTER PLAZA, PHILADELPHIA, PA 19102) IS HOLDING ONE OF 18 CATERPILLARS,
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BOUGHT AND PAID FOR BY MOC (17 HAVE BEEN DELIVERED TO

SYRIA), FOR ALLEGED NON-PAYMENT OF OVER \$38,000 IN STORAGE AND TRANSFER FEES.

3. MCELROY WAS IN DAMASCUS FEB 21-23, VISITED EMBASSY AND MOC. HE CLAIMED TO HAVE A BANK GUARANTEE FROM IRVING TRUST CO., NEW YORK, FOR \$350,000, TO COVER CONTRACT PERFORMANCE BOND CLAUSE. MOC DECLINED TO ACCEPT, SINCE GUARANTEE WAS IN FAVOR OF "DIESEL MACHINERY INTERNATIONAL CORPORATION", NOT MCELROY NOR PENNSYLVANIA MINING (MOC OBVIOUSLY CONFUSED AND ANNOYED BY NUMBER AND VARIETY OF CORPORATE ENTITIES GINNED OUT BY MCELROY). MCELROY LEFT DAMASCUS, PROMISING TO ADJUST THE BANK GUARANTEE ACCORDINGLY. HUMEIDAN SAID MOC WOULD ACCEPT A \$350,000 GUARANTEE IN FAVOR OF MCELROY OR PENNSYLVANIA MINING AS "AN ACT OF GOOD FAITH" ON THE PART OF MCELROY, AND WOULD THEN BE PREPARED TO DISCUSS IMPLEMENTING THE REMAINDER OF THE CONTRACT. HUMEIDAN URGED THAT GENERAL ENGINES PERSUADE MCELROY TO FULFILL HIS SIDE OF THE CONTRACT SO THAT GENERAL ENGINES WOULD BE PAID.

4. IN EARLIER CONVERSATION WITH COMMERCIAL OFFICER, ZIAD ABOUHARB, MCELROY'S FORMER AGENT IN DAMASCUS, SPOKE STRONGLY OF MCELROY'S PERFIDY. HE SAID MCELROY IS KNOWN IN SYRIA AS A PURVEYOR OF FALSE DOCUMENTS AND PASSER OF BAD CHECKS. HE CLAIMS MCELROY OWES HIM \$110,475 IN COMMISSIONS, FOR WHICH MCELROY PAID IN CHECKS WHICH BOUNCED. HE SAYS HE IS SUING MCELROY (AND MCELROY TOLD US HE IS IN TURN SUING ABOUHARB) AND WILL SEIZE ANY GOODS SHIPPED BY MCELROY TO SYRIA AGAINST HIS CLAIM. HUMEIDAN TOLD US, HOWEVER, THAT ABOUHARB CANNOT BLOCK GOODS BOUGHT BY SARG.

5. MCELROY TOLD US HE WOULD BE CALLING UPON GILPATRIC (USDOC) AND BULLEN (STATE) SOON AFTER HIS RETURN TO US.
PELLETREAU

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